

(Washington, DC)—Rep. Gwen Moore, along with House Financial Services Committee Chairman Barney Frank and Rep. David Scott, introduced legislation this week to force different departments of the Bush Administration to work together to help other countries dismantle terrorist financing networks and keep Americans safe. The Counter-Terrorism Financing Coordination Act, (H.R. 1993) will direct the Bush Administration to resolve turf wars and end bureaucratic infighting that have compromised the effectiveness of the U.S. government's efforts to assist other countries in the war on terrorism. The Financial Services Committee expects to hold a hearing on the bill later this year.

“We can stop terrorist organizations in their tracks by cutting off the financial networks that fund their activities,” said Rep. Moore. “This mission is far too important to allow the possibility that bureaucratic infighting may cause us to miss any potential opportunity to safeguard American lives. It is critical that we utilize every tool we have available and the Counter-Terrorist Financing Coordination Act will help ensure that federal agencies work together as seamlessly as possible.”

“Terrorists organizations continue to plot attacks against the United States. Their activities are funded through a world wide finance network. We need to be aggressive in shutting down terrorism funding sources. We can do this with better coordination and communication between financial regulators,” said Rep. Scott. “This important measure will help cut through bureaucracies to focus the efforts to cut off these funding streams and track down terrorist financiers.”

Specifically, the bill will require the Secretaries of State and Treasury to adopt recommendations of the Government Accountability Office (GAO) delineating the role of each agency in the delivery of counter-terrorism financing training and technical assistance to countries abroad.

The Bush administration has been ignoring the problem for years, and has failed to resolve it after a GAO report released in 2005 revealed that these agencies lacked an integrated strategy to coordinate training and technical assistance efforts. The GAO also reported that the two key agencies involved in these efforts, Treasury and State, cannot even agree with each other on their respective roles.

The "Counter-Terrorism Financing Coordination Act" will call for State and Treasury to enter into a Memorandum of Agreement that requires:

- A specific designation of each agency's leadership and role in the delivery of counterterrorism training and technical assistance;
- A dispute resolution methodology with specific and reasonable timeframes for resolving interagency disagreements;
- The coordination of funding and resources for counterterrorism financing and anti-money laundering training and technical assistance,

including the means for providing a transparent assessment of resources and a method for aligning those resources with the needs of vulnerable countries;

- Procedures for determining the appropriateness of the use of contractors and a system for evaluating their performance; and,
- A process to measure the performance and results of counterterrorism training and technical assistance.
- In addition, the bill makes Treasury more accountable to Congress by requiring more complete information on the nature and extent of how the agency tracks and blocks terrorist assets and provide performance measurements in an annual report to Congress.

## Background:

The Departments of State, Treasury, and Justice are responsible for working together to coordinate and deliver training and technical assistance to countries that can be conduits for the financing of terrorist acts. The lack of an integrated strategy and ongoing agency disagreements over their roles and procedures have delayed and inhibited the effective delivery of training and technical assistance to countries vulnerable to terrorist financing. Such bureaucratic infighting puts the U.S. at risk by impeding our ability to assist vulnerable countries in stemming the flow of money to terrorists.

In April, 2006, the House Financial Services Committee examined the

findings of the GAO report (Terrorist Financing: Better Strategic Planning Needed to Coordinate U.S. Efforts to Deliver Counter-Terrorism Financing and Technical Assistance Abroad [GAO-06-19]) in a hearing held in the Oversight and Investigations Subcommittee. Testifying at the hearing was the nation's top Federal government watchdog and head of the GAO, Comptroller General David Walker, and officials from State, Treasury and Justice. At the hearing, the Comptroller General testified that the three agencies have essentially ignored the GAO's recommendations and that the problems outlined in the GAO report continue to persist. Democratic Committee Members at the hearing criticized the agencies for allowing their turf battles to endanger the security of our nation and called upon them to adopt the GAO recommendations to develop an integrated strategy, and to enter into a written Memorandum of Agreement to clarify and agree on each agency's responsibilities.

A copy of the GAO report can be found here: <http://www.gao.gov/new.items/d0619.pdf>

The GAO provided several examples of disagreements between the agencies:

- "State and Treasury officials disagree on the use of Office of Technical Assistance (OTA) funding and contractors. According to Treasury officials, OTA funding should primarily be used to support intermittent and long-term

resident advisors, who are U.S. contractors, to provide technical assistance. According to State officials, OTA should supplement State's program, which primarily funds current employees of other U.S. agencies." [page 17]

- "State, Justice, and Treasury officials disagree on whether it is appropriate for U.S. contractors to provide assistance in legislative drafting efforts on anti-money laundering and counter-terrorism financing laws. State officials cited NSC guidance that current Justice employees should be primarily responsible for working with foreign countries to assist in drafting such laws and voiced strong resistance to use of contractors. Justice officials strongly stated that contractors should not assist in drafting laws and gave several examples of past problems when USAID and OTA contractor assistance led to problems with the development of foreign laws. In two examples, Justice officials stated that USAID and OTA contractor work did not result in laws meeting FATF standards. In another example, Justice officials reported that a USAID contractor assisted in drafting an anti-money laundering law that had substantial deficiencies and as a result Justice officials had to take over the drafting process. According to OTA officials, their contractors provide assistance in drafting laws in non-priority countries and OTA makes drafts available to Justice and other U.S. agencies for review and comment and ultimately the host country itself is responsible for final passage of a law that meets international standards." [Page 17]

- "Treasury and State officials disagree on the use of confidentiality agreements between contractors and the foreign officials they advise. State officials said OTA's use of confidentiality agreements impedes U.S. interagency coordination. State officials said the issue created a coordination problem in one country because a poorly written draft law could not be shared with other U.S. agencies for review and resulted in the development

of an ineffective anti-money laundering law. Moreover, State officials said the continued practice could present future challenges. However, according to Treasury officials, this was an isolated case involving a problem with the contract and they said they have taken procedural steps to ensure the error is not repeated." [Page 18]

- "State and Treasury officials disagree on the procedures for conducting assessments of country's needs for training and technical assistance. Moreover, Treasury stated that their major concern is with State's coordination process for the delivery and timing of assistance. According to TFWG procedures for priority countries, if an assessment trip is determined to be necessary, State is to lead and determine the composition of the teams and set the travel dates. This is complicated when a vulnerable country becomes a priority country. For example, in November 2004 Treasury conducted an OTA financial assessment in a nonpriority frontline country and subsequently reached agreement with that country's central bank minister to put a resident advisor in place to set up a FIU. However, in May 2005, State officials denied clearance for Treasury official's visit to the country, which has created a delay of 2.5 months (as of the end of July 2005). Treasury officials provided documentation to show that State was aware of their intention to visit the country in November 2004 to determine counter-terrorism and financial intelligence technical assistance needs, the official leading the segment of work was part of a larger on-going OTA effort in country, and that Treasury kept TFWG informed of the results of OTA's work and continuing efforts. State officials expressed concern that the country had recently become a priority country. According to State TFWG officials, Treasury work needed to be delayed until a TFWG assessment could be completed. However, the U.S. embassy requested that Treasury proceed with its placement of a resident advisor and that the TFWG assessment be delayed." [Pages 18, 19]

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